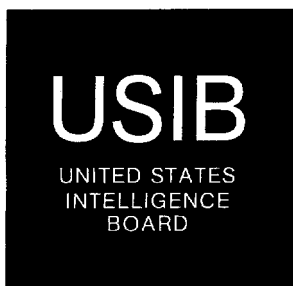


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PORTUGAL

Prime Minister Vasco Goncalves used a left-wing labor union rally last night on the outskirts of Lisbon to appeal again for public support. Pro-Goncalves sources said the rally was the first in a series of public demonstrations to drum up popular support for the Prime Minister.

Goncalves' decision to appear in public—a rare occurrence since the present challenge to his leadership began—followed several days of emergency meetings with his cabinet and renewed efforts by President Costa Gomes to resolve differences among the various factions of the ruling Armed Forces Movement.

The anti-Communist group led by Major Melo Antunes is continuing its effort to reach a compromise with the radical leftist group of General Otelo de Carvalho. Carvalho reportedly is seeking assurances that the revolution will not veer to the right if the present regime is ousted. A source close to Antunes has told Ambassador Carlucci that this week will be decisive, and the newspaper *Republica* reported yesterday that the two groups had already reached agreement.

One key officer who has remained in the background during most of the present power struggle is Admiral Rosa Coutinho. The ambitious admiral traveled to Havana yesterday to begin a two-week visit to Latin America. After spending a week in Cuba, he will head the Portuguese delegation to the conference of nonaligned nations in Lima—which Portugal is attending as an observer—before returning home on September 2. Rosa Coutinho's absence during this critical period may permit him to avoid taking sides in the current struggle and maintain his position and influence whatever the eventual outcome.

Goncalves' Communist Party supporters, meanwhile, have scheduled another rally for today in the northern city of Porto. The Communists' objective in continuing to hold rallies where the people are known to be overwhelmingly hostile is not yet clear. It may simply be an effort by the Communists to assert their right to meet wherever they choose, although it could, along with Goncalves' re-emergence in public, be the initial effort in a Communist counteroffensive. The 30-minute general strike called for today by the Communist-dominated trade union confederation to protest the recent wave of anti-Communist violence has been scaled down to apply only in the Lisbon area.

Security forces yesterday fired on a mob that attacked and destroyed the Communist Party headquarters in Ponte de Lima, a small town north of Porto. One person was killed and 100 were injured.

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Violence against the Communists has also spread to the Azores, where thousands of angry farmers yesterday destroyed offices of left-wing parties and beat up Communists in the streets. Fifteen persons were injured in the disturbances, which occurred on the island of Terceira. The Portuguese contingent at Lajes air base—where the US maintains facilities—was placed on alert. Anti-Communist sentiment in the Azores has been a key motivating factor in the islanders' drive for independence from the mainland and recurring demonstrations at the present time could be exploited by separatists to trigger an independence declaration.

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FEDAYEEN

Leaders of the less radical fedayeen organizations, including Palestine Liberation Organization Chairman Yasir Arafat, may adopt more extreme policies in the event another Egyptian-Israeli disengagement is implemented. The possibility of an early agreement has already strained Egyptian-Palestinian relations and prompted the Palestinians to move even closer to Syria.

Arafat, according to a pro-fedayeen newspaper in Beirut, has said that his Fatah organization "rejects the American settlement and will resist it through the barrels of our guns." Although such rhetoric is usually intended for internal fedayeen consumption, it might in this case presage an increase in terrorist activity designed to improve Arafat's position. Since Arafat's widely publicized appearance at the UN last year, his prestige has diminished steadily as a result of his failure to produce anything concrete for the Palestinians.

Last March, Fatah commandos raided Tel Aviv in an effort to undermine Secretary Kissinger's attempt to arrange a second Egyptian-Israeli disengagement. That attack had no direct effect on peace negotiations, but helped protect Arafat against charges by fedayeen "rejectionists" that he was cooperating with Egypt and the US in the false hope that the Palestinians would gain something from negotiations.

Arafat's strategy in the near future will be to minimize the disaffection of leaders of the Syrian-controlled Saiqa group and the Marxist-oriented Popular Democratic Front for the Liberation of Palestine, both of which have generally supported his conciliatory policies on a Middle East settlement. Failing this, Arafat will try not to be very far behind them in any swing toward more radical policies on political strategy and the use of terrorism.

Syria's stand will be the most important single force in determining the extent to which the more conciliatory fedayeen groups oppose Egyptian President Sadat. If the Egyptians are able to reassure Syrian President Asad and limit Syrian criticism of Egypt, those Palestinians will probably have to follow Damascus' lead. This would further weaken Arafat.

More may be known of Syria's position on a further Egyptian-Israeli agreement when Damascus responds to the latest Palestinian initiative to implement the "Palestinian-Syrian joint political and military command." The command was originally proposed by Asad during the March round of peace negotiations. The proposal lay dormant until late last week, however, when the PLO central

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committee called for the "highest speed possible" toward setting up a joint body that could take a unified stand on "current developments."

If Syria becomes disillusioned with Egypt and abets Palestinian obstructionism, Arafat and his associates will move toward a more direct and forceful criticism of Egypt, the US, and the principle of a negotiated settlement. If unchecked by Egyptian promises of early negotiating progress on Palestinian issues, this could lead ultimately to a new round of terrorist activity in Israel and abroad.

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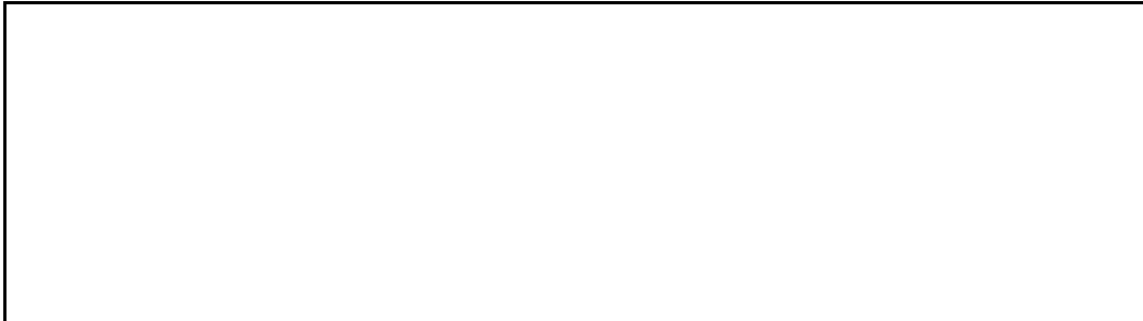
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LAOS

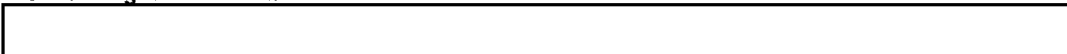
Communist-sponsored demonstrations in support of an end to Vientiane's neutral status are continuing.

Two groups of several hundred each demonstrated in separate parts of the city on August 18. The demonstrators were orderly, peaceful, and heavily escorted by Pathet Lao troops. The communists seem unable to stir up any real enthusiasm for these affairs, and one march was described as more like a funeral procession than a political rally. The participants parroted communist slogans, calling for the removal of non-communist local government officials.

Restrained anti-US demonstrations are expected to coincide with a final mass rally by city residents and people from surrounding villages augmented by Pathet Lao troops in mufti. Demonstrators at this final rally are supposed to call on the government to "liberate" Vientiane by changing the 1973 peace accords so that the city is no longer termed neutral.

The communists are concentrating only on the administration of Vientiane city and have made no apparent effort to use the rallies to make any further changes in the national government, which is still nominally a coalition. According to press reports, new local officials have already been selected in the city's four districts, but no changes have been announced in the central municipal administration.

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CHILE

The government's decision last week to crack down on dissident university personnel and students will further hurt its image in the human-rights area.

Moving without warning, security forces reportedly arrested 44 persons for "Marxist" activity at the University of Chile. The education minister, Rear Admiral Troncoso, said the professors, students, and administrative employees now in custody were meeting clandestinely to plan protests against university policies.

The minister also said that an investigation was under way and that the government would prevent a return to "unrestricted permissiveness." Most of those being held presumably will be prosecuted for violating the state of siege provisions. The minister told the press that some will be released, but that they will still be fired from their jobs or expelled from the university. He added that arrests may be made at other universities.

The military government probably intends the crackdown as a warning to opponents who may have been planning to take advantage of the junta's poor economic performance and international reputation. The latest round of arrests, however, following last month's detention and exile of labor leaders in the north, will only aggravate the regime's difficulties in trying to convince international opinion that it has moderated its internal security practices.

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LATIN AMERICA

Peru appears willing to permit Chile to grant Bolivia access to the sea.

Peru's proposal was conveyed by Prime Minister Morales Bermudez during his trip to La Paz on August 6 to celebrate the 150th anniversary of Bolivian independence. In mid-July, President Velasco had taken the position that Peru would not accept any Chilean proposal on the issue, but in his Independence Day speech on July 28 he recognized Bolivia's "just" need to resolve the long-standing access problem. The shift in Velasco's position may reflect Morales Bermudez' influence.

With Peru's about-face, the next move on the access issue is clearly up to Chile. Neither Chile nor Peru can cede a border area without the other's consent. Bolivia is not expecting an early resolution of the problem, and inasmuch as Peru has apparently removed one of the negotiating obstacles, Chilean-Bolivian relations could deteriorate if Santiago does not make some kind of initial offer on the access issue.

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ANNEX

Struggle for Control of Portugal Limited to Leftists

Portugal has had several political crises since the Armed Forces Movement seized power in April 1974. In each case, a segment from the right side of the political spectrum has disappeared until only varieties of leftists remain in the ruling circles.

Those still in contention are now deeply split into three factions. Ideological divisions are not neat, and some of the disagreements derive from personality clashes as well as genuine differences over how best to solve the many problems facing Portugal.

--The group associated with Prime Minister Goncalves is thought to be closely connected with the Communists and their sympathizers.

--A second faction, led by internal security chief Otelo de Carvalho, is anti-Communist, but promotes radical nationalist policies that are often more extreme than those of the Communist Party.

--The third group, led by former foreign minister Melo Antunes, is not as extreme as the other two groups, although many of its revolutionary goals mesh with the aims of the other two factions.

In the past two weeks, Antunes has spearheaded an effort to oust Goncalves. He and his supporters have sought support from all quarters for his effort to reverse the steady move toward Communist domination of Portugal.

Portuguese President Costa Gomes' refusal to remove Goncalves, even in the face of overwhelming opposition, is an important element in the confused political situation. The President appears to have no ideological affinity with Goncalves; his reluctance to act seems to be based on his concern over a possible violent reaction by the Communists and on the close relationship that has developed between the two men and their families.

Costa Gomes' delaying tactics on behalf of Goncalves could not have worked, however, had the opposition been determined and better organized. There appear to be no strong leaders among the nine dissidents dismissed from the Revolutionary Council for circulating an anti-regime document drafted by Antunes. The anti-Communist forces seem to have fallen victim to the same weakness that has plagued the military's efforts to govern—the desire to make decisions by consensus.

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Nonviolent Revolution

For all the radical statements hurled back and forth since the Armed Forces Movement took power in a near-bloodless coup in April 1974, the Portuguese revolution has been essentially nonviolent. Even the anti-Communist rioting of the past two weeks has resulted in only six deaths. The reluctance of the Portuguese to deal harshly with their fellow countrymen can also be seen in the willingness of the security forces to permit demonstrators to operate with near impunity while troops look on and in the refusal of troops to obey orders to go to the Azores to control the separatists.

The twin motives of obtaining consensus and avoiding violence have prevented anti-Communists from moving to a showdown with Goncalves or Costa Gomes. The manifesto drafted by Antunes reportedly has obtained the support of some 80 percent of the armed forces—even the pro-Communist press credits the anti-Communists with the support of 60 percent—but Antunes appears to want something approaching unanimity.

This would explain why Antunes is now reportedly working on a compromise document that will take into consideration some of the views put forward in a much more radical program drafted by officers under the command of Carvalho. If Carvalho decides to join forces with Antunes, and some reports say he already has, the move to depose Goncalves will have at least the tacit agreement of nearly every important military unit. Such contrived unity, of course, will begin to break down almost as soon as it is accomplished.

Carvalho's Support

Carvalho's support seems especially important to Antunes because of the security chief's following in those units stationed in and around Lisbon that are most closely associated with Prime Minister Goncalves. Some of these units, such as the military police stationed near the presidential palace, are believed by many Portuguese to have stockpiled weapons for dissemination to Communist militants in the event of a showdown. Antunes may also fear that without control of these units, the Communist Party will be able to put up a stiff fight for control of Lisbon.

If such fighting were to develop, it could degenerate into civil war, despite the Portuguese aversion to violence; passions have reached a high pitch in recent weeks. There are some indications, however, that the Communist Party may already be backing away from Goncalves, whose position looks more and more in jeopardy.

The Communists may have yet another move to try. The party is sponsoring mass rallies in the conservative north, despite the possibility of a serious incident developing. At the same time, however, the party appears to be looking for a way to

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retain as many of the gains it has made as possible. The Communists have based their hopes for an eventual take-over in Portugal on maintaining close ties with the Armed Forces Movement, and if the Movement deserts Goncalves they may have little choice but to do the same.

Communist Party secretary Cunhal continues to have kind words for Prime Minister Goncalves, but he has also renewed his pitch for unity of the "revolutionary forces," including the Socialists. He must know that such unity has little chance of developing as long as Goncalves hangs on. Tactically, at least, the Communists are opportunists and could seek a modus vivendi even with Antunes, himself an avowed Marxist, if he began to emerge the winner. The Communists, however, would find Carvalho and his radical leftist followers more attractive.

Frustrations Building

With frustrations building each day, a break must come soon. There has been an upsurge in rumors that a coup is imminent. If the anti-Goncalves group continues to hold back, the small but determined Communist minority may yet find a way to turn things around.

The Communists and Goncalves retain essential control of the state machinery, and with Carvalho's position uncertain, a few key arrests, with trumped up charges if necessary, might give Goncalves the time he needs to consolidate his position.

A continuation of the present confused situation, with no faction clearly emerging on top, would also set the stage for rightists—like the exile group under the leadership of former president Spino-la—to launch an effort to recapture power.

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Rightists see the continued dominance of Goncalves and the Communists as providing the most propitious setting for their move. Support for a move by Spinolist forces would be seriously undercut if the Antunes group succeeded in wresting power from Goncalves. The exiles are as opposed to Antunes—whom they see as a leftist—as they are to Goncalves.

The rightists have little chance of success, particularly if they move too soon, and they might succeed in maintaining Goncalves in power. A rightist move would permit the Prime Minister to rally the nation and the armed forces around him and lend substance to the charges that Antunes is opening the way for a turn toward fascism.

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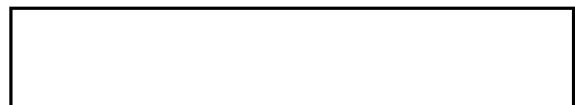
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